



**CONNECTICUT
ASSOCIATION
of NONPROFITS**

*...to serve, strengthen
and support Connecticut's
nonprofit community.*

Testimony before the Government Administration and Elections Committee

March 17, 2010

By Ron Cretaro, Executive Director

S. B. No. 424 (RAISED) AN ACT CONCERNING AGENCY CONSOLIDATION AND THE CREATION OF THE HEALTH AND HUMAN SERVICES CONSOLIDATION STEERING COMMITTEE

Senator Slossberg, Representative Spallone and members of the Government Administration & Election Committee, I am Ron Cretaro, Executive Director of Connecticut Association of Nonprofits (CT Nonprofits). We are the largest membership organization in Connecticut dedicated exclusively to working with nonprofits in Connecticut. Our membership numbers more than 500 organizations, 300 of which are health and human service purchase of service contractors with the State of Connecticut. Others members, including arts and culture, agricultural, environmental, economic development and educational organizations also hold contracts with Connecticut state government.

Historically, nonprofits have been justifiably skeptical of large sweeping government reorganization initiatives to consolidate and merge many state departments simultaneously. It is usually not a matter of what is gained, but a question of what is lost by such forced arrangements. With that said, Nonprofits can embrace a focus directed at combining, streamlining and bringing greater uniformity to governmental back office and internal support functions. This would include procurement processes, contract administration, accounting and financial reporting, auditing procedures, program reporting requirements, data collection mandates, electronic health records, licensing and other quality assurance measures. To those nonprofits which contract with multiple state agencies, existing expectations and compliance proves to be a redundant, inefficient and cost-ineffective. Given the State's track record of chronic underfunding, as well as a lack of timely contract implementation, payments and rate setting by some state agencies, reorganization and streamlining done thoughtfully would likely improve these inefficiencies.

Parent groups, consumers and consumer advocates also often see dubious value in lumping together state human service departments. Stakeholders fear a loss of efficient, local access to services, a sacrifice of accountable, responsive government action and a further stigmatization of those receiving services.

Given the State's perilous fiscal condition, it is understandable that the state wishes to consider consolidating state agencies. Nonprofit programs and services are already jeopardized by the current financial reality. If there is a possibility that exploring and investigating such consolidation can make for a smarter and more cost effective state government, then we encourage that effort while remaining wary of potential adverse "one-size-fits-all" consequences. We respectfully request that input from nonprofit providers that contract with state be sought throughout the process.

S.B. No. 362 (RAISED) AN ACT STREAMLINING STATE GRANT DISTRIBUTION

CT Nonprofits supports this bill and any and all efforts by the state to streamline grant distribution, including payments of purchase of service (POS) contracts to nonprofit health and human services providers.

An increasing number of 501(c)(3) organizations with federal, state and local contracts are reporting that their government partners are failing to execute timely contracts and make payments for services

performed under contracts, forcing the nonprofits to make painful cuts to programs, services and staff. Many government agencies are withholding reimbursements, canceling contracts, or renegeing on agreements altogether. The Congressional Research Service recently cited a report that found over 33% of nonprofits have reported delays in government payments¹. Other reports indicate that the situation may be deteriorating.

In 2009, a survey of our membership revealed that 42% of respondents had received late payments from the state, with some upwards of 60 days late. Late payments by the state create a cash flow problem for nonprofits that ultimately lead to one of two actions: use money from budget reserves and lose out on valuable interest that those funds would otherwise accrue in the bank, or access a credit line from a bank and pay interest on those funds. Both actions are a direct result of the state not paying a provider on time for contracted services.

Nonprofits are critical partners with the state in the provision of health and human services. We should not have wait over two months to be paid for our services. Any efforts by the state to streamline the grant process and ensure timely payments are welcome by our membership.

¹ www.fas.org/sgp/crs/misc/R40919.pdf